



United States  
of America

# Congressional Record

PROCEEDINGS AND DEBATES OF THE 107<sup>th</sup> CONGRESS, FIRST SESSION

Vol. 147

WASHINGTON, TUESDAY, MARCH 6, 2001

No. 28

## House of Representatives

The House met at 12:30 p.m. and was called to order by the Speaker pro tempore (Mrs. MORELLA).

### DESIGNATION OF THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore laid before the House the following communication from the Speaker:

WASHINGTON, DC,  
March 6, 2001.

I hereby appoint the Honorable CONSTANCE A. MORELLA to act as Speaker pro tempore on this day.

J. DENNIS HASTERT,  
*Speaker of the House of Representatives.*

### MORNING HOUR DEBATES

The SPEAKER pro tempore. Pursuant to the order of the House of January 3, 2001, the Chair will now recognize Members from lists submitted by the majority and minority leaders for morning hour debates. The Chair will alternate recognition between the parties, with each party limited to not to exceed 30 minutes, and each Member, except the majority leader, the minority leader, or the minority whip, limited to not to exceed 5 minutes.

The Chair recognizes the gentleman from Oregon (Mr. BLUMENAUER) for 5 minutes.

### FEDERAL GOVERNMENT PROMOTING LIVABLE COMMUNITIES

Mr. BLUMENAUER. Madam Speaker, my priority in Congress is for the Federal Government to be a better partner in promoting livable communities, to make our families safe, healthy, and economically secure. A critical element in a livable community is making sure that we can deal with the natural disasters: floods, fire, earthquakes, and storms.

Every year natural disasters cost billions of dollars and kill and injure

Americans all across this great Nation. Every year the Federal Government is there to help unfortunate victims and their States and local governments in the recovery and repair. In the last 8 years alone, the United States has suffered more than 850 people dying in floods, and the property damage has totaled almost \$90 billion. The total expenditure for disaster relief, including FEMA and insured losses, has been more than \$150 billion in the last 20 years.

There are two ways that we can help: we can be dealing after the fact, dealing with the unfortunate victims and the damage that has been brought; or we can work to deal before disaster occurs to minimize damage and perhaps even prevent it all together.

I note two important provisions in the administration's recent budget submission: one is the reform of the Federal flood insurance program. This is a high priority for me. It is long overdue. The gentleman from Nebraska (Mr. BEREUTER) and I have introduced legislation in the last Congress that two floods and you are out of the taxpayer pocket bill to stop the Federal Government subsidizing people who live in areas that God has repeatedly shown that he does not want them. There is one home in suburban Houston that has suffered over \$800,000 of loss over the last 20 years, 16 occasions, a home that is only worth, they tell us, \$115,000.

Our legislation would allow people to use this money to relocate out of harm's way or to flood-proof their property. But if they do not, then they will be required to foot the bill themselves, not the U.S. taxpayer. We have seen dramatic examples of what this sort of proactive activity can do. The Arnold, Missouri, flood damage in 1993 was over \$2 million; but after work in flood-proofing the community, moving people out of harm's way, the 1995 flood, which was much larger, had only \$40,000 in damage.

Madam Speaker, I am pleased with the recognition the administration has for our legislation, but I have serious reservations about another proposal which would eliminate Project Impact. This is a Federal program that is not a grant, but instead provides seed money to help the people themselves build disaster resistant communities, to develop the partnerships and upfront investment needed to make sure that people do not suffer these horrible losses.

Madam Speaker, I was impressed this last fall to be able to address a conference of over 2,000 participants, partners all across the country in these partnerships. There are now 250 Project Impact communities and over 2,500 business partners alone, including NASA and four NASCAR race drivers. It is important for us to nurture this type of partnership, not to turn our back on it.

Project Impact and flood insurance reform are two important ways that the Federal Government can be a better partner to promote livable communities and to make our families safer, healthier, and more economically secure.

### REPEALING THE 2 PERCENT EXCISE TAX ON PRIVATE FOUNDATIONS

The SPEAKER pro tempore. Under the Speaker's announced policy of January 3, 2001, the gentleman from Florida (Mr. STEARNS) is recognized during morning hour debates for 5 minutes.

Mr. STEARNS. Madam Speaker, last week the gentleman from Illinois (Mr. CRANE) and I introduced bill H.R. 804, a bill to repeal the 2 percent excise tax on private foundations.

The United States is blessed with a deep spirit of philanthropy. Charitable organizations serve the interest of both the individual and the community. Private foundations in particular have

□ This symbol represents the time of day during the House proceedings, e.g., □ 1407 is 2:07 p.m.

Matter set in this typeface indicates words inserted or appended, rather than spoken, by a Member of the House on the floor.



Printed on recycled paper.

H629

made measurable differences in the lives of Americans, from access to public libraries, developing the polio vaccine, and even leading in the creation of the emergency number 911. Each and every American has experienced the benefits of the tireless efforts of these foundations.

Madam Speaker, currently there are 47,000 foundations in the United States. In 1998, foundations gave away an estimated \$22 billion in grants. These foundations were also forced to give the Federal Government a grant of \$500 million in 1999.

Under current law, not-for-profit private foundations generally must pay a 2 percent excise tax on their net investment income. This requirement was originally enacted in the Tax Reform Act of 1969 as a way to offset the cost of government audits on these organizations. So some 31 years ago, we instituted a tax on these foundations to cover the audit expense. However, when you look at the number of audits that have been performed, particularly since 1990, the IRS audits on private foundations has decreased from 1,200 to just 191. Yet the excise collection during these 31 years has grown from roughly \$200 million in 1990 to \$500 million in the year 1999.

In addition, private foundations are bound by a 5 percent distribution rule. Foundations must make annual qualifying distributions for charitable purposes equal to roughly 5 percent of their fair market value of the foundation's net investment assets. The required 2 percent excise tax, which is payable to the IRS, actually counts as a credit to the 5 percent distribution rule.

So in a nutshell, what we have here is a private foundation making a charitable grant to the Federal Government every year, and since 1969 the number of audits have gone down; yet the number of charitable foundations has gone up.

Madam Speaker, I do not believe that the Federal Government is in dire need of this excise tax, and in fact in the next 10 years the Federal Government will show a surplus of \$5.7 trillion. In 2002 we are projected to have a \$231 billion surplus. Therefore, I believe that Americans have been more than charitable in giving the government their hard-earned dollars. It is time that we begin the process of returning the money to the people.

President Bush is working to accomplish that goal with his reduction in tax rates, allowing for the increased use of charitable deductions and credits. My bill goes one step further. It gives those charitable organizations relief from the \$500 billion tax that the Federal Government instituted 31 years ago so they can give more of their money back to the people who need it.

I would like to also emphasize, Madam Speaker, that the former President, Mr. Clinton, proposed a reduction in this same excise tax in his fiscal-

year 2001 budget. The Treasury Department noted: "Lowering the excise tax rate for all foundations would make additional funds available for charitable purposes."

So, Madam Speaker, common sense dictates that the elimination of this tax would increase additional charitable giving. I would like to thank my colleague, the gentleman from Illinois (Mr. CRANE), for his support on this bill. I ask my colleagues to take a look at this piece of legislation. I would like their support. It is H.R. 804.

#### SEATTLE EARTHQUAKE AN EXAMPLE WHY CONGRESS NEEDS A BUDGET BEFORE IT DEBATES A TAX BREAK BILL

The SPEAKER pro tempore. Under the Speaker's announced policy of January 3, 2001, the gentleman from Washington (Mr. INSLEE) is recognized during morning hour debates for 5 minutes.

Mr. INSLEE. Madam Speaker, the Seattle earthquake last week gave us a telling example why it is grossly irresponsible to bring a huge tax cut bill to this floor before we do a budget.

There is a lot wrong with this bill. Many people have heard many of these problems: the fact that it gives 43 percent of all the benefits to just 1 percent of Americans. That is a problem. The fact that it is based on really phony fiscal hallucinations based on these 10-year projections when we cannot even project 10 months from now. That is a problem. But perhaps the biggest kind of problem was made clear to us in Seattle last week on the very day that a 6.8 on-the-Richter-Scale quake hit Seattle. The administration tried to hit our earthquake preparedness programs by trying to kill Project Impact.

Project Impact is a Federal program that is designed to help improve local communities' earthquake preparedness programs, a program Seattle had used to good effect and which was effective in reducing losses. Why did that happen? Well, the Vice President said that Project Impact was ineffective.

Try telling that to the first graders at Stevens Elementary School in Seattle, who I visited last week, the day after the quake, who, until Project Impact came along, did their studying underneath a 1-ton tank of water that was prone to going right through the ceiling and down onto their classroom because it was not secured adequately for a standard earthquake. But then Project Impact dollars came along. The school district secured that water tank and no one got hurt. In fact, in the seven schools in the Seattle school district that had used Project Impact monies, none of the structures that had been dealt with caused any damage.

This is an effective program. These Federal investments saved lives. We ourselves saw that in Seattle last week. This is an effective program. So why did the administration try to kill it? Well, that is kind of interesting.

The Vice President has said this program was ineffective. But when I asked Joe Allbaugh, our FEMA director, the Federal Emergency Management Agency director, who has done a great job by the way on this disaster, he told me he had not even been consulted. Nobody asked him about Project Impact. Somebody in the Bush administration got out a red pen and just drew it right through that project and tried to kill the program.

Why did that happen? Well, it is pretty clear. This was an indiscriminate cut that was simply made to try to accommodate and make room for these tax cuts, and it is a disgrace. It is a disgrace to know that the first casualty of the Bush tax cut is a program that in Seattle, in fact, prevented casualties. When we do tax cuts before we do a budget, bad decisions are made. And this is perhaps the most visible and first one in this sorry state of affairs.

We should reject this bill. We should go back and do our jobs, do the budget first, and a reasonable, responsible tax cut that meets our obligation to the American people.

#### ON SOCIAL SECURITY

The SPEAKER pro tempore. Under the Speaker's announced policy of January 3, 2001, the gentleman from Michigan (Mr. SMITH) is recognized during morning hour debates for 5 minutes.

Mr. SMITH of Michigan. Madam Speaker, I would like to spend just a couple minutes talking about some of the issues that this Congress, both the House and the Senate, are really struggling with, and that is the debt that has been mounting up, the total Federal public debt, of this country. I would like to comment about the legitimacy of a tax reduction and would like to comment on the challenge that is facing this body and the President in terms of keeping Social Security solvent.

First of all, on the debt: if my colleagues will bear with me, let me break down the current Federal national debt of now \$5.7 trillion. Of that \$5.7 trillion, I break it down into three segments:

The treasury debt. When we issue Treasury paper, Treasury bills, Treasury bonds, the so-called debt held by the public, that now represents \$3.4 trillion out of the \$5.7 trillion.

The debt that has been borrowed from Social Security represents \$1.2 trillion, \$1.2 trillion out of the \$5.7 trillion. That is what we have been borrowing pretty much ever since we dramatically have increased the Social Security taxes, the FICA taxes, over the last 20 years. There has been much more money coming in than has been needed, and that is especially true since the 1983 increase in Social Security taxes. So we have accumulated \$1 trillion worth of IOUs that this government owes Social Security when it comes time for Social Security needing that money.

So we have \$3.4 trillion that is Treasury debt, debt held by the public; we